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Industrial Development Board

Twenty-sixth session

SUMMARY RECORD OF THE 6th MEETING

Held at the Vienna International Centre, Vienna,
on Thursday, 21 November 2002, at 3 p.m.

President: Mr. HORVATH (Hungary)

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The meeting was called to order at 3.15 p.m.

INTRODUCTION OF DRAFT DECISIONS (IDB.26/L.2-L.11)

1. **The PRESIDENT** said that a number of draft decisions which were contained in documents IDB.26/L.2-L.11 and which had been considered in informal consultations chaired by Mr. Takasu (Japan) were before the Board.

2. **Mr. TAKASU** (Japan), speaking as chairman of the informal consultations, said that the consensus had been reached had been reached on all items and recommended the draft decisions to the Board for speedy adoption.

3. **The PRESIDENT** said that he was submitting the draft decisions approved by consensus in the informal consultations as drafts of the President for consideration by the Board.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (*continued*) (IDB.26/13)

(a) REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 2000-2001 (*continued*) (IDB.26/2, IDB.26/3 and IDB.26/5; IDB.25/2 and Add.1; IDB.26/L.2)

4. **The PRESIDENT** drew attention to draft decision IDB.26/L.2.

5. *The draft decision was adopted.*

(b) FINANCIAL SITUATION OF UNIDO (*continued*) (IDB.26/9, IDB.26/16 and Add.1; IDB.26/CRP.2; IDB.26/L.3 and L.11)

6. **The PRESIDENT** drew attention to draft decisions IDB.26/L.3 and IDB.26/L.11.

7. *The draft decisions were adopted.*

(d) MOBILIZATION OF FINANCIAL RESOURCES (*continued*) (IDB.26/6; IDB.25/2 and Add.1; IDB.26/L.4)

8. **The PRESIDENT** drew attention to draft decision IDB.26/L.4.

9. *The draft decision was adopted.*

(e) TRANSITION TO A SINGLE CURRENCY SYSTEM (*continued*) (IDB.26/4; IDB.26/L.5)

10. **The PRESIDENT** drew attention to draft decision IDB.26/L.5.

11. *The draft decision was adopted.*

PROGRAMMATIC REVIEW, INCLUDING SYSTEM-WIDE ISSUES (*continued*) (IDB.26/CRP.4 and CRP.5)

(a) UNIDO PARTICIPATION IN MAJOR INTERNATIONAL EVENTS (*continued*) (IDB.26/12 and Corr.1)

(b) IMPLEMENTATION OF MEDIUM-TERM PROGRAMME FRAMEWORK, 2002-2005, INCLUDING FIELD REPRESENTATION AND TECHNOLOGY FORESIGHT (*continued*) (IDB.26/7 and Corr.1 and IDB.26/15; IDB.26/L.8)

(c) GLOBAL BIOTECHNOLOGY FORUM (*continued*) (IDB.26/10; IDB.26/L.9)

MEDIUM-TERM PROGRAMME FRAMEWORK, 2004-2007 (*continued*) (IDB.26/8 and IDB.26/15; IDB.26/L.8)

12. **The PRESIDENT** drew attention to draft decision IDB.26/L.8, entitled "Strategic guidelines 'Towards improved UNIDO programme delivery'", which related to agenda items 3 (b) and 4.

13. *The draft decision was adopted.*

14. **Mr. RUDISCHHAUSER** (Germany), expressing support for the draft decision and welcoming the initiative of the delegation of Japan which had led to the formulation of the strategic guidelines contained in document IDB.26/15, emphasized that the Business Plan remained the basis for the organizational and programmatic transformation of UNIDO.

15. **Mr. TAKASU** (Japan), welcoming the adoption by consensus of the draft decision, said that it demonstrated Member States' support for the Organization's work and their commitment to improving programme delivery. He expressed gratitude to all delegations which had contributed to the preparation of document IDB.26/15. He hoped that the

guidelines in it would be fully implemented so as to improve the effectiveness of future UNIDO activities, and that Member States, staff at Headquarters and field officers would work together to achieve that aim. He also hoped that the guidelines would be taken into account in the preparation of the next medium-term programme framework and the next programme and budgets.

16. **Mr. EL-ATAWI** (Egypt), thanking the delegation of Japan for its efforts in preparing document IDB.26/15, supported the view expressed by the representative of Germany that the Business Plan should remain the basis for the future direction of the Organization. He praised the consistent efforts made by the Secretariat to reform UNIDO, but said that it was now time to consider how to put all the new ideas into practice, particularly with regard to the vital area of technical cooperation. He assured the Board of his delegation's continued support in that endeavour and said that he was confident of the Director-General's ability to take the Organization forward.

17. **The PRESIDENT** drew attention to draft decision IDB.26/L.9, which related to agenda item 3 (c).

18. *The draft decision was adopted.*

19. **Mr. GONZALEZ ANINAT** (Chile) thanked all those who had expressed support for the Global Biotechnology Forum, which was to be hosted by his country. He was also confident that the International Centre for Genetic Engineering and Biotechnology in Trieste would make a useful contribution to the event. Lastly, he was pleased to note that an update on the Forum was included on the agenda for the next session of the Board.

PERSONNEL MATTERS (*continued*) (IDB.26/11; IDB.26/L.6)

20. **The PRESIDENT** drew attention to draft decision IDB.26/L.6.

21. *The draft decision was adopted.*

CONSULTATIONS WITH NON-MEMBER STATES (*continued*) (IDB.26/14; IDB.26/CRP.6; IDB.26/L.10/ Rev.1)

22. **The PRESIDENT** drew attention to draft decision IDB.26/L.10/Rev.1.

23. *The draft decision was adopted.*

24. **Ms. RAMIS-PLUM** (France), welcoming the adoption of the decision, said that the process of reform had enabled UNIDO to reaffirm its role in international action to promote industrialization and sustainable development. To consolidate its position, every effort should now be made to encourage more States to join the Organization and to persuade former Member States to rejoin. Her delegation was ready to participate in that endeavour, in particular through diplomatic channels in non-Member States.

25. **Mr. SREENIVASAN** (India) said that, as his delegation had initiated discussion on the issue of consultations with non-Member States at the previous session of the Board, he was particularly pleased that the draft decision had been adopted. The Director-General and the host country had already begun efforts to widen the membership of UNIDO, but those efforts should now be redoubled by raising awareness of the major reforms that had been implemented in the Organization. The draft decision entrusted the Director-General with carrying the matter forward, in consultation with Member States where appropriate, and the Indian delegation was confident of his success.

26. **Mr. GONZALEZ ANINAT** (Chile) agreed that it was very important to widen the membership of UNIDO and his delegation was ready to contribute to efforts in that direction. Countries which were not Member States were missing out on substantial benefits, particularly as the reform process had made the Organization much more dynamic and relevant.

27. **Mr. PAULINICH** (Peru) said that the draft decision had the potential to increase the impact of the Organization's technical cooperation activities by facilitating efforts to widen membership. He thanked the delegation of India for initiating discussion of the issue at the previous session of the Board and said that his delegation would support any initiative taken by the Director-General in that regard.

PROVISIONAL AGENDA AND DATE OF THE TWENTY-SEVENTH SESSION (IDB.26/CRP.3; IDB.26/L.7)

28. **The PRESIDENT** drew attention to draft decision IDB.26/L.7.

29. *The draft decision was adopted.*

ADOPTION OF THE REPORT (IDB.26/L.1)

30. **Mr. HAMEDANI** (Islamic Republic of Iran), Rapporteur, introducing document IDB.26/L.1, said that it represented the framework of the report. The final version would be compiled in close consultation with the Friends of the Rapporteur and would duly reflect the proceedings of the session, including the decisions that had just been adopted. The Friends of the Rapporteur had agreed on a new method of finalizing the report of the current session: the final version would be circulated to them in electronic form via e-mail and they could

subsequently submit any proposed changes. If there were no controversial issues, the report could be finalized without another meeting. If that method proved successful, he would suggest that future rapporteurs did likewise.

31. **The PRESIDENT** said that, if he heard no objection, he would take it that the Board wished to adopt the draft report as a whole on the understanding that the Rapporteur would finalize it in consultation with the Friends of the Rapporteur as soon as possible after the closure of the session.

32. *It was so decided.*

CLOSURE OF THE SESSION

33. **Mr. RUDISCHHAUSER** (Germany), referring to the introductory remarks of the Director-General on further transformation of the Organization, requested that the Secretariat should provide more information on that issue at a later stage, in particular the establishment of the post of comptroller general and the plans relating to field representation.

34. **Mr. MAGARIÑOS** (Director-General) said he would like, on behalf of the Organization, warmly to thank all delegations for the very constructive spirit in which the deliberations had been conducted. It was moving to see how successfully Member States and staff had transformed the work climate of UNIDO. The fact that UNIDO had achieved relevance, financial stability and focus in its programmes was gratifying, and he and the Secretariat would strive in the years ahead to continue to merit the praise that had been bestowed on them.

35. Due note had been taken of the requests for provision of specific information concerning areas such as the success of the integrated programmes, new initiatives, the impact of partnership programmes and the Office of the Comptroller General. The Managing Directors, his own Office and he himself would contact Member States in order to produce and distribute reports clarifying those questions. He was particularly gratified by the welcome accorded to the decision to establish the Office of the Comptroller General; he took note of the positive comments in that regard, and would work to ensure that suitable staff were recruited, in the same spirit of openness and transparency as had obtained during the recruitment of the new Managing Directors. He also remained fully committed to the goals of attaining gender balance and equitable geographical distribution in the Secretariat.

36. The fact that more countries were considering payment plans with a view to settling their arrears also gave grounds for optimism: Ukraine was honouring its commitments, a plan for Azerbaijan had been approved and negotiations to conclude a payment plan with Brazil were under way.

37. Much time had been devoted to consideration of ways and means of increasing the Organization's resources. In that regard, he wished to express the gratitude of the Secretariat, and to echo that of Member States that had benefited from technical cooperation, to all those countries that had paid their assessed contributions on time, and also to those that had contributed to the technical cooperation funds. Perhaps the best way of appreciating the generosity and dedication of those countries was to view them in perspective. Over the five years in which he had headed UNIDO, the Organization had administered resources amounting to more than US$ 800 million. About half those resources, or approximately US$ 400 million, had gone to technical cooperation activities. Over the period, US$ 150 million had been spent on experts and project personnel; US$ 138 million on subcontracts; US$ 25 million on fellowships and study tours; and US$ 75 million on equipment, in addition to various miscellaneous expenditures. While that financial outlay could not alone achieve the industrialization of the developing world, it could go some way towards that goal.

38. He wished now to try to make a linkage between the matters discussed at the current session and those for consideration at the next session of the Programme and Budget Committee, dwelling on the challenges facing the Organization, although he recognized the need to further optimize UNIDO's operations and the importance of the Board's unanimous decision to adopt strategic guidelines for improving technical cooperation (IDB.26/L.8). The UNIDO regular budget would have to be considered by the Board at its next session, prior to its approval at the end of 2003 by the General Conference. The regular budget for 2002 totalled 68.3 million euros. A percentage of those funds comprised the contribution from the regular budget to technical cooperation: 4.0 million euros for the regular programme of technical cooperation and 2.8 million euros for Industrial Development Decade for Africa supplementary activities. The remainder of the regular budget comprised operating costs, information technology and communications, travel and staff costs (the last item amounting to some 45 million euros). The regular budget was primarily funded from assessed contributions—which should provide 66.8 million euros. An additional 1.5 million euros was expected to be provided from other sources, such as interest income, sales publications and government contributions to the UNIDO regional and field offices.

39. In addition to the regular budget, there was the operational budget, which consisted of support cost income earned on the implementation of technical cooperation programmes. The percentage varied between

5 and 13 per cent. Currently it averaged 10 per cent, and the trend was downwards. Ninety-five per cent of the funds of the operational budget were used to meet staff costs.

40. Lastly came technical cooperation delivery, funded through voluntary contributions from various sources. As at 31 October 2002 voluntary contributions had amounted to some US$ 170 million, part of which was represented by funds received from countries for projects in those countries (trust funds). Of the remainder, about US$ 60 million represented the Industrial Development Fund, while a third portion comprised funds received from the Montreal Protocol and the Global Environment Facility. Those funds could be spent only when the donor States authorized their disbursement; once authorized, they became part of the technical cooperation programme; with an average of US$ 85 million spent annually. It was important to bear in mind that the income for the operational budget was received only once the technical cooperation from which it derived had been delivered. Thus, a proportion of the income used to pay staff salaries depended on the existence of approved technical cooperation programmes. If the voluntary contributions made were not utilized, they were carried forward to future financial years.

41. He wished particularly to highlight the fact that the ratio between the cost of delivering technical cooperation and technical cooperation revenue was almost one to one: about 80 million euros in operating costs were needed in order to deliver about 85 million euros in technical cooperation programmes.

42. In regional terms, Africa represented 19 per cent of UNIDO's technical cooperation portfolio of US$ 85-90 million annually, the Arab countries 13 per cent, Central and Eastern Europe 7 per cent, the Americas 12 per cent and Asia almost 50 per cent. That pattern of distribution covered all types of technical cooperation: integrated programmes, country service frameworks (CSFs) and stand-alone energy and environment projects. In the first two categories, Africa had a very high participation, at 52 per cent. The distribution was a function of the patterns of funding received from Member States. Voluntary contributions from Governments played a crucial role in funding integrated programmes and CSFs, accounting for more than 60 per cent of total funding. Looking at technical cooperation activities as a whole, it was found that government contributions fell to 40 per cent, with a corresponding increase in the contribution from multilateral funds such as the Montreal Protocol. Lastly, when one looked at the relative shares in total UNIDO spending of the various types of technical cooperation, it was found that integrated programmes, which had been widely commended by Member States, still accounted for only 22 per cent of all technical cooperation, while stand-alone projects accounted for 40 per cent and the Montreal Protocol for almost 40 per cent.

43. His main reason for drawing the Board's attention to the thematic initiatives was to mobilize more funds. More funds were needed for two purposes: first, to increase the share of integrated programmes and thematic programmes in technical cooperation activities as a whole; secondly, to improve the ratio between the 80 million euros of annual regular budget expenditure and the 85 million euros delivered in the form of technical cooperation. The ratio must be improved and, realistically, there were only two ways in which that could be achieved: either by once again reducing the regular budget or by increasing funding for technical cooperation. And in order to follow the latter course, it would be necessary to have more thematic initiatives—naturally within the framework of the Business Plan and the integrated programmes.

44. The Organization was faced with a tremendous challenge in the form of the Millennium Development Goals adopted by the international community. In September 2003 the United Nations Secretary-General would be submitting specific proposals to the General Assembly concerning the role of each specialized agency in the attainment of those Goals. To meet the enormous challenge, serious consideration must be given to ways of increasing the volume, predictability and scope of voluntary funding. While every effort would be made to use resources still more efficiently and effectively, the gains achieved thereby could not solve every problem. The solution must lie in a combination of greater efficiency and higher, more stable contributions allowing for advance planning of UNIDO's technical cooperation tasks.

45. **The PRESIDENT**, after thanking the participants for their support and cooperation, declared the twenty-sixth session of the Industrial Development Board closed.

The meeting rose at 4.25 p.m.